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SUBJECT: WTO ROUND: ECONOMICS MINISTER BRINKHORST OPTIMISTIC  
ON POSSIBILITIES FOR PROGRESS

1. Summary: Dutch Economics Minister Brinkhorst has returned from a trip to India, China, and Japan optimistic over the prospects of reinvigorating Doha Round talks and setting forth the elements of a negotiating agenda that he believes will set the stage for positive results. This agenda calls for a focus on agriculture and better results in services but moderating expectations regarding agricultural export subsidies and non-agricultural market access, and backing off Singapore issues. End Summary.

#### Importance of Agriculture

2. In a 3/3 speech at the Institute for Social Studies (ISS) in The Hague, Brinkhorst identified agriculture as the Round's most important issue. He had earlier told the press that " [t]he message of the Indian Government was very clear: A world trade accord is feasible if the EU and the United States reduce support for their agricultural products, especially export subsidies allowing these products to be dumped on foreign markets." At ISS, he thought the WTO should focus its efforts on a package that includes reducing but not completely phasing out agricultural export subsidies, addressing export credits and "unsustainable" food aid programs, priority treatment for cotton in the context of the agricultural negotiations, and "reasonably ambitious" goals in agricultural market access. Brinkhorst declared it was important for the agricultural negotiations to differentiate among developing countries (for example, he said that Brazil and Mauritius are both sugar exporters but Brazil has more to gain from liberalization of existing tariff-rate quota systems than does Mauritius which benefits from the implied preferences). He also highlighted the importance of developing countries opening their markets to the agricultural products of other developing countries.

#### Other Important Issues

3. Although agriculture was the key area for Brinkhorst, he said other important elements of a package would be more ambitious goals in services and a non-agricultural market access (NAMA) approach that is somewhere between the "Swiss" and Uruguay Round formulas.

#### Drop Most Singapore Issues

4. Investment and competition policy remain important issues for the WTO to address but it is premature to think of moving forward in the Doha Round, according to Brinkhorst. He called for giving sufficient attention to these issues to allow for possible future WTO work but declared "they will not be an obstacle" in this Round. Although Brinkhorst highlighted the continuing importance of the WTO addressing environmental and sustainability issues, he said that in the Doha negotiations they would "not be a stumbling block."

#### Importance of Moving Forward

5. Although WTO members are now better prepared to carry out substantive negotiations than they were in Cancun, Brinkhorst also thought they are cautious of moving forward too quickly because the consequences of another failure would be too great. He identified the Geneva process undertaken over the next few months as "crucial." Brinkhorst warned that failure to advance the WTO round would further stimulate the negotiation of free trade agreements (FTA's) "which threaten to divide the world into regional blocs" that have little commonality and may end up being based on geopolitical rather than economic considerations. Brinkhorst did not single out any WTO members as particularly promoting FTA's noting that the United States, European Union, and Japan have all moved to conclude trade agreements with third countries.

#### Cancun and the WTO System

6. Brinkhorst affirmed that Cancun was a failure but thought it could be explained as a reflection of the continuing evolution of the multilateral trading system.

The Tokyo Round dynamic in which the United States, Europe, and Japan dominated the talks and developing country issues were a "sideshow" was clearly over but the system was still adapting to the larger role of developing countries. Brinkhorst noted the difficult evolution of the dynamics can be illustrated by the WTO having "missed every deadline beginning with the Battle in Seattle." He opined that the successful launch of the Doha Round was the aberration in the ongoing evolutionary process - a launch Brinkhorst thought would not have happened were it not for the terrorist attacks of 9/11/01.

Comment

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17. Although Brinkhorst exuded optimism over the prospects for Doha Round progress, several attendees at the ISS lecture noted (in side conversations) that Brinkhorst did not address the prospects for the EU showing more flexibility in agriculture, the area Brinkhorst identified as key to the overall negotiation.

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